Registration number: 01789898

LUXOTTICA NORTH EUROPE LIMITED

Annual Report and Financial Statements

for the Year Ended 31 December 2020

LUXOTTICA NORTH EUROPE LIMITED

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LUXOTTICA NORTH EUROPE LIMITED

Company Information

Directors

Sara Francescutto

Franco Ferrante

Massimiliano Mutinelli

Company secretary

Pennsec Limited

Registered office

Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

Bankers

Citibank International Plc
25 Canada Square
Canary Wharf
London
E14 5LB

Indipendent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
Charing Cross
London
WC2N 6RH

LUXOTTICA NORTH EUROPE LIMITED

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activities
The principal activity of the company is importing and distribution of optical products.

Fair review of the business and KPIs
Trading conditions during 2020 were extremely difficult mainly due to the COVID-19 outbreak but also due to Brexit uncertainty, general market conditions and competition. Although a focus on targeted brand distribution and investments made in various channels of trade have supported the business, total turnover has decreased versus the previous year. During 2020 the pressure rose on product gross margin, consequently it dropped by 1.0% mainly driven by product and channel mix. A continued focus on cost control and operational improvements enabled the company to deliver a slight positive result for the year.

The directors utilise various key performance indicators in order to measure the performance of the business. It is considered that turnover and profit before taxation are the key performance indicators of the business. As shown in the company's profit and loss account on page 12, turnover has decreased from £143,938k to £111,146k, essentially due to sharp decline of revenue in the UK market (following strict lockdown measures put in place by the UK Government for several months). Nordics, although experiencing a drop, were far less affected by the pandemic, if compared to UK and the rest of Europe (virtually no lockdown in Sweden, which is the largest country in our Nordics division). Given the limitations in people's movements, retail stores suffered a lot in favour of E-commerce players and platforms which generated a remarkable growth along with the after-sales support division for the RayBan.com and Oakley.com web sales platforms. Profit before taxation has decreased from £5,376k to £1,272k. This decrease has arisen primarily due to the drop in Net Sales which are only partially offset by a strong response in the management of OPEX.

The directors are pleased that the net assets position of the Company has increased over the year to £6,316k (2019 - £5,214k) Overall North Europe business was heavily affected in the UK in the first quarter of 2021. However the sales performance wase strong. Despite the weak sales in the travel retail sector, the Company experienced a significant shift to other customers (e.g. E-commerce Wholesale). April month closure was positive compare to the forecast thanks to better performance on E-commerce customers. The Directors foresee the same trend in the following months, supported by the good progress of the vaccination programme in the UK. The Directors consider that the coming year will remain challenging as uncertainty over the specific nature of the UK's future trading relationship with Europe and the rest of the world. Anyway, they expect to reach a good performance based on store reopening and a positive effect of the vaccination campaign.

Principal risks and uncertainties

The company operates in a highly competitive market which is a continuing risk to the company and could result in losing revenue to its key competitors. The company manages this risk by providing value added services to its customers, responding promptly to their requests and by maintaining strong relationships with them.
The UK's exit from the EU on 31st January 2020 was preceded by a deal signed shortly before year end. Most of our products will not suffer restrictions for import/export but some categories will attract duties. However, the Directors don't expect pressure on margins, with sustained profitability on sales. The company has put in place all actions and authorisations in order to guarantee a smooth continuation of the business to supply our customers in a timely manner. The UK retail environment continues to be challenging and we will continue to monitor the performance of the eyewear sector but at present this is proving to be resilient to any negative consumer sentiment and confidence. A significant proportion of our turnover is generated within the Nordic region and this will not be affected by Brexit.
COVID-19 is creating considerable uncertainty for economies and markets. We believe that our business resilience is sufficient to deal with the pandemic, but the impact on economies and markets will be highly correlated with how effective containment measures will be. UK is among the first countries developing and using a vaccine and as of March 2021 has unveiled a plan to completely reopen completely the country by July 2021.

SECTION 172

During 2020 the Directors continue to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and its shareholders. They acted in accordance with the duties detailed in section 172 of the UK Companies Act 2006 and the following paragraphs summarize how Directors' fulfil their duties:

• The likely consequences of any decision in the long term

The company provides high quality eyewear and a high standards of customer service in a fast-growing environment. A new commercial and distribution policy, a re-structuring of the sales organization along with a strengthening of all existing internal procedures, have contributed to a further consolidation of the company's position in the market.

The continuous growth has led to increased complexity and risks which have been identified and mitigated as we developed an advanced risk management approach.

• The interests of the company's employees and the need to foster the company's business relationships with suppliers, customers, and others

One of the company's aim is to enhance relationship with people, clients, investors, communities and society, and meeting their expectations.

In order to achieve this goal, investment in our people is essential, the company has put in place an evaluation program, called MyPerformance, with the aim to fairly assess the relationship between performance and reward in order to promote success, professional growth and succession plan.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

In order to promote a long-term sustainability of the business, relationships with customers and suppliers continue to improve through:

- vendor selection and benchmarking analysis in order to find the better solution in terms of efficiency and effectiveness in the market; and
- specific marketing investments.

• The impact of the company's operations on the community and the environment

The company has the overall aim of respecting the environment and has in place tight controls and procedures of managing its waste disposal. Furthermore, there is a close focus on packaging development in order to improve the use of recyclable materials and to further reduce waste.

• The desirability of the company maintaining a reputation for high standards of business conduct

Directors' strategy is focused on organic growth and strengthening of business relationships with long standing partners through selective distribution, investments and special programs dedicated to our best customers.

Key suppliers will remain a focal point for the company in order to obtain products and services with the best efficiency. The Directors' intention is to operate in accordance with the laws and regulations and guarantee the highest standards of conduct, through accurate and controlled processes.

• The need to act fairly as between shareholders of the company

The directors' primary goal is to behave responsibly towards the company shareholders, giving them adequate support and treat them fairly in order to have mutual benefit of the company success.

Approved by the Board of directors on ...10/06/2021.... and signed on its behalf by:

....

Franco Ferrante
Director

LUXOTTICA NORTH EUROPE LIMITED

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Future developments
The directors consider that the coming year will remain challenging due to the specific nature of the UK's future trading relationship with Europe and the rest of the world continues following the vote in June 2016 to leave the EU and projected increases in general price inflation continue to squeeze the disposable income of consumers but the directors believe that the company will continue to deliver a satisfactory level of profit.

Dividends
The total dividend payment made for the financial year 2020 was £Nil (2019: £11,400k).
The directors recommend a final dividend payment of £Nil (2019: £3,700k) in respect of the financial year ended 31 December 2020.

Financial instruments
The company participates in a cash pooling facility under which any excess cash is loaned to a group treasury department. Interest is received on the deposits and interest paid on any borrowings under this arrangement is at prevailing market rates. The interest rate risk is managed and hedged at group level by the group treasury team based upon the forecast flows that we provide for our deposits into and withdrawals from the cash pool. The company is also exposed to foreign exchange rate movements on intercompany balances.

Cash pooling interest charged by Group in 2020 were equal to £17k and £97k in 2019.

Directors' of the company
The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, were:

Sara Francescutto

Franco Ferrante

Massimiliano Mutinelli (appointed 12 January 2021)

Paolo Alberti (resigned 12 January 2021)

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement
The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Charitable donations
During the year the company made charitable donations of £Nil (2019: £Nil).

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Luxottica North Europe Limited endeavours to minimise waste in all its processes, encouraging its employees to minimise how their practices and operations negatively affect the environment and urges them to comply with applicable laws, regulations, and other environmentally oriented requirements in their daily work habits and practices.
During the year the company increased the usage of virtual communication tools to reduce the need for employee travel. The impact of Covid-19 at the end of the reporting period will also have reduced the numbers of miles travelled.
We report our carbon emissions following the Greenhouse Fas Protocol, which incorporate the scope 2 market-based emission methodology.

We report carbon dioxide emissions resulting from energy use in our buildings, transportation of our products and employees' business travel.

Market Based Calculation	**2020 (tonnes)**	**2020 (kWh)**
Energy Consumption Used:		
Co2 emissions from transport fuel	85.32	
Co2 emissions from electricity purchased for own use	44.89	192.524
Co2 emissions from business travel from employee owned cars	11.06	
Total gross CO2 emissions based on above	141.26	
Ratio of total emissions to sales (tonnes per Euro/mln)	1.27	

Intensity metric
The Company's chosen intensity metric is total gross emissions in metric tonnes CO2e per £m of sales, the recommended ratio for the sector.

Quantification and reporting methodology

The Company has followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Measures taken to improve energy efficiency

Due to the nature of the impact from Covid the majority of meetings have been done by video conferencing and milage has been significantly reduced from prior years. The business plans to continue the use of video conferencing as much as possible in the future to reduce the environmental impact of business travel and CO2 emissions from transport fuel.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:
• so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
• they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors of the company.

STAKEHOLDER ENGAGEMENT STATEMENT

The company's approach to sustainable development considers heavily the environmental and social impacts of its business activities on the various stakeholders along the value chain.

All employees are encouraged to apply the Group Code of Ethics in their interactions with their stakeholders, together with other policies and principles already existing in the company.

Stakeholder relations and transparent communication with them are therefore key for the Company, as their needs and viewpoints fuel its strategy and operations, and this includes:

- sharing the processes for managing risks and identifying opportunities;
- involving stakeholders in strategic decisions for customer satisfaction, employee opinions and organize training sessions, etc.;
- contributing the growth in the fields of health and the environment through humanitarian aid programs (OneSight's missions).

The table below presents the main topics of stakeholders' engagement.
As shown before, additional information are disclosed in the Section 172 Statement at page 3.

Main stakeholders	***Main topics***
Employees & representative organizations	Quality of working conditions Work-life balance Recruitment/Attracting and retaining talent Skills development and training initiatives Equal opportunities, diversity and inclusion
Customers and consumers	High quality and innovative products High quality customer service Responsible marketing Integrity in business relations Data protection Sustainable procurement
Shareholders	Management of Sustainable development Transparency and evaluation of non-financial activity Environmental aspects (e.g. energy, water, waste and carbon footprint) Social aspects (e.g. talent acquisition, diversity, human rights) Economic aspects (e.g. corporate conduct, risk management, governance)
Suppliers	Integrity in business and compliance with regulations and laws Constructive collaboration/Co-innovation Sustainable procurement & supplier
Public authorities & governments	Social and economic impact Contribution to visual health and the inclusive economy Fair business practices, including responsible marketing
Local communities	Quality of life: provide quality vision for all Social and economic impact (e.g. jobs, support for the local economy and inclusive business)

STAKEHOLDER ENGAGEMENT STATEMENT (continued)

From the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the group board have had regard to the need to foster the company's business relationships with employees, suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the group and for the entity) on the EssilorLuxottica Universal Registration Document, which does not form part of this report.

Approved by the Board of directors on ....10/06/2021... and signed on its behalf by:

....

Franco Ferrante
Director

Independent auditors' report to the members of Luxottica North Europe Limited
Report on the audit of the financial statements

Opinion

In our opinion, Luxottica North Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.
Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK tax legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and

opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing the appropriateness of manual journal entries, including journal entries with unusual account combinations, outside the normal course of business or posted by unusual users;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Tested key accounting estimates reported in the financial statements by challenging management's judgements and ensuring corroborative evidence were obtained for key assumptions, in particular in relation to the useful economic lives of fixed assets, the inventory provision and the accounting of leases.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Lauren Dilrew

Lauren Dilrew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 June 2021

LUXOTTICA NORTH EUROPE LIMITED

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	5	111,146	143,938
Cost of sales		(81,604)	(104,700)
Gross profit		29,542	39,238
Distribution costs		(12,407)	(14,671)
Administrative expenses		(15,819)	(19,200)
Operating profit	6	1,316	5,367
Interest receivable and similar income	9	39	118
Interest payable and similar expenses	10	(83)	(109)
		(44)	9
Profit before tax		1,272	5,376
Tax on profit	11	(169)	(1,599)
Profit for the financial year		1,103	3,777

The results disclosed above for both the current year and prior year relate entirely to continuing operations.

No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than profit for the financial year.

LUXOTTICA NORTH EUROPE LIMITED

(Registration number: 01789898)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Fixed assets			
Intangible assets	13	-	-
Property, plant and equipment	14	1,260	2,476
Right of use assets	15	4,371	2,711
		5,631	5,187
Current assets			
Inventories	16	891	786
Trade and other receivables	17	40,454	35,600
		41,345	36,386
Creditors: Amounts falling due within one year	18	(37,137)	(34,340)
Net current assets		4,208	2,046
Total assets less current liabilities		9,839	7,233
Creditors: Amounts falling due after more than one year	19	(3,523)	(2,019)
Net assets		6,316	5,214
Capital and reserves			
Called up share capital	20	90	90
Profit and loss account		6,226	5,124
Total Shareholders' funds		6,316	5,214

The financial statements on page 12 to 33 were approved by the Board of directors on ....10/06/2021... and signed on its behalf by:

....
Franco Ferrante
Director

LUXOTTICA NORTH EUROPE LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	90	12,747	12,837
Profit for the year	-	3,777	3,777
Transactions with owners in their capacity as owners:			
Dividends	-	(11,400)	(11,400)
At 31 December 2019	90	5,124	5,214

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	90	5,124	5,214
Profit for the year	-	1,103	1,103
At 31 December 2020	90	6,226	6,316

The notes on pages 15 to 33 form an integral part of these financial statements.

1 General information

Luxottica North Europe Limited is a wholesale supplier of eyewear. The company sells mainly in the UK, Ireland, Sweden, Norway, Denmark and Finland.

The company is a private limited company limited by shares and is incorporated and domiciled in the United Kingdom. The registered office of the company is Verulam Point, Station Way, St Albans, Hertfordshire, AL1 5HE.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Luxottica North Europe Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and FRS 101. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101 to requirements set by the International Financial Reporting Standards (IFRS). Therefore these financial statements do not include:

- IAS 7, 'Statement of cash flows'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 45(b) and 46 to 52 of IFRS2, 'Share based payments'
- The requirements of IFRS7, 'Financial instruments disclosure'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 'Revenue from Contracts with Customers'.

2 Accounting policies (continued)

Going concern

The restrictive measures imposed around the world in the face of the global pandemic caused by the Covid-19 virus have resulted in a climate of considerable uncertainty. The escalation of the health emergency generated a downturn in the business in the first part of the year, which was followed by a solid recovery in the second half of the year, albeit attenuated in the last part of the year.

Even in the context of this uncertainty the Company acted in a coherent and coordinated way with the measures decided by the EssilorLuxottica Group and was able to implement effective measures to contain the impacts, preserving the main economic and financial indicators.

These measures allowed the company to maintain an adequate level of liquidity and credit lines to face the difficulties from a temporary downturn in its activities. The Company and the Group to which it belongs have demonstrated the ability to adopt all the necessary protective measures to ensure the sustainability of their business model whilst ensuring the safety of their employees.

The Directors have assessed the potential generation of cash flows of the Company itself, the existing liquidity and reserves available and any other mitigating action that could be taken to further preserve cash and cash equivalents.

The net assets position of the business is solid and has increased over the year to £6,316k (2019 - £5,214k). Net current assets position has increased from £2,046k in 2019 to £4,208k in 2020. The cash pooling position with the Group improved from a negative position of £2,208k in 2019 to positive position of £7,032k in 2020.

In addition, despite the difficult market condition due to the Covid-19 pandemic, in 2020 the Company reported a profit before taxation of £1,272k.

Considering this analysis, these financial statements have been drawn up on the assumption of business continuity, as the Directors have concluded that there are no financial, management or other indicators that can signal critical issues regarding the company's ability to meet its obligations in the foreseeable future, and in particular in the next 12 months.

EssilorLuxottica however has confirmed its intention to provide financial support to the operations pursued by the Company, in order to cover its financial obligations and continue its activities without suffering any significant reduction in its activities in the next twelve months from the date of signing of the financial statements.

Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements - Over the term of the lease
Fixtures, fittings and equipment - 20% per annum straight line
Computer equipment - 33% per annum straight line

Intangible assets

Intangible assets are stated at cost, net of any amortisation and any provision for impairment.
Amortisation is provided to write down the value of the asset on a straight line basis over its anticipated useful life. The anticipated useful life of a customer list is 3 years.

2 Accounting policies (continued)

Cash and cash equivalents
Cash at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks is valued at nominal value.

Impairment of non-financial assets
Property, plant and equipment and intangible assets with a definite useful life are subject to amortisation and depreciation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, property, plant and equipment and intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Intangible assets with a definite useful life are reviewed at the end of each reporting period to assess whether there is an indication that an impairment loss recognised in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded.

The reversal of an impairment loss is recorded in the profit and loss account.

Interest income/expense
Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense.

Trade and other receivables
Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business

Accounts receivable and other receivables are recognised at amortised cost and measured on the basis of the impairment model introduced by IFRS 9. Under this model, the Company measures receivables according to an expected loss approach, replacing the IAS 39 framework usually based on the measurement of incurred losses.

In the case of accounts receivable, the Company adopts a simplified approach that does not require recognising changes in credit risk on a regular basis, allowing instead to recognise an Expected Credit Loss ("ECL") calculated over the entire lifetime of the receivable (known as lifetime ECL). Specifically, under the policy adopted by the Company, accounts receivable are divided into three categories also based on the number of days past due and an assessment of the counterparty's solvency. The Company applies different impairment percentages to said categories that reflect the relevant expectations for recovery.

Accounts receivable are fully written down in the absence of a reasonable expectation for recovery or in the case of inactive business counterparties (e.g. receivables more than 180 days past due, insolvencies, and/or the commencement of legal proceedings).

Following the application of IFRS 9, the assessment of the credit risk related to accounts receivable did not increase significantly after initial recognition when contractual payments were due by longer than 30 days.

The other receivables, for which the Company estimates a low credit risk, are measured using a general approach. Under this approach, the Company estimates the ECL for the next 12 months as well as reviews changes in credit risk compared to the initial measurement at the end of each reporting period. In the case of receivables for which the Company recognises no significant increases in credit risk, the ECL continues to be measured for the next 12 months. In the case of receivables for which the Company recognises significant increases in credit risk, the ECL is measured over the entire lifetime of the receivable.

The amount of the receivables reported in the statement of financial position is net of the relevant bad debt provisions. The impairment losses reported pursuant to IFRS 9 are recognised in the profit or loss net of any positive effects associated with reversals or revaluations and are included within selling expenses.

Dividend distribution
Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average cost basis.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation
The tax expense represents the sum of the corporation tax currently payable and the deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items which are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in tax computations different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. ("the functional currency"). The financial statements are presented in Pounds Sterling (£), which is also the functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling in the date of the transaction. All exchange differences are taken to the profit and loss account.

2 Accounting policies (continued)

Financial assets

The Company's financial assets are classified based on the business model adopted to manage them and the relevant cash flows. The Company has identified the following categories:

a. Financial assets measured at amortised cost. This category includes financial assets that meet the following requirements: (i) the financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These are mainly accounts receivable, loans, and other receivables already described in the paragraph Accounts receivable and other receivables. Loans and receivables are included in current assets, except for those with contractual maturities greater than 12 months compared to the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables are classified in the balance sheet as accounts receivable and other receivables. Except for accounts receivable that do not contain a significant financing component, other loans and receivables are initially recognised at fair value plus directly attributable transaction costs. Accounts receivable that do not contain a significant financing component are recognised at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets included in this category are measured at amortised cost, using the effective interest method. The effects of this measurement are recognised within the financing components of income. In addition, these assets are subject to the impairment model described in the paragraph Accounts receivable and other receivables.

b. Financial assets at fair value through other comprehensive income ("FVOCI"). This category includes financial assets that meet the following requirements: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are initially recognised at fair value plus directly attributable transaction costs. Subsequently, the measurement on initial recognition is updated and any changes in fair value are recognised through other comprehensive income. As in the case of the previous category, these assets are subject to the impairment model described in the paragraph Accounts receivable and other receivables.

c. Financial assets at fair value through profit or loss ("FVPL"). This category includes financial assets not classified in any of the previous categories (i.e. residual category). These are mainly derivative instruments as well as quoted and unquoted equity instruments that the Company did not irrevocably designate as FVOCI on initial recognition or at the date of transition. Assets in this category are classified as current or non-current assets based on their maturity and are initially recognised at fair value. Specifically, investments in non-consolidated companies over which the Company does not have significant influence are included within this category and recognised under Investments. Any ancillary costs incurred on initial recognition of the assets are immediately recognised through consolidated profit or loss. After initial recognition, financial assets at FVPL are measured at fair value. Gains and losses deriving from changes in fair value are recognised through consolidated profit or loss in the period in which they occur, under Other net income/(expenses).

Purchases and sales of financial assets are recognised at the settlement date.

Financial assets are derecognised when the rights to receive cash flows from the instrument have expired and the Company has transferred substantially all risks and rewards of ownership.

2 Accounting policies (continued)

Revenue recognition

The Company sells prescription frames and sunglasses.

Under the five-step model introduced by IFRS 15, the Company recognises revenue after identifying the contracts with its customers and the relevant performance obligations (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for performing each of said obligations, and assessing how to perform these obligations (at a specific point in time versus over time).

Specifically, the Company recognises revenue only if the following requirements are met (so-called requirements for identifying the "contract" with the customer):

• a) the parties have approved the contract (either in writing, orally, or in accordance with other customary business practices) and intend to perform their respective obligations; there is therefore an agreement between the parties that creates enforceable rights and obligations, regardless of the form of said agreement;
• b) the Company can identify each party's rights regarding the goods or services to be transferred;
• c) the Company can identify the payment terms for the goods or services to be transferred;
• d) the contract has commercial substance; and
• e) it is probable that the Company will collect the consideration to which it will be entitled in exchange for goods or services transferred to the customer.

If the above requirements are not met, the relevant revenue is recognised when: (i) the Company has no more obligations to transfer goods and/or render services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Company and is non-refundable; or (ii) the contract has been terminated and the consideration received from the customer is not refundable.

Revenue from the wholesale of goods is recognised when control of the asset is transferred to the buyer, i.e. when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset. If the sales contract includes retrospective volume-related discounts, the Company estimates the relevant impact and treat it as variable consideration. In addition, the Company estimates the impact of potential returns from customers. This impact is accounted for as variable consideration, recognising a liability for returns and the corresponding asset in the statement of financial position in Short-term provisions for risks and Other current assets, respectively (separately presenting the portion related to the impact of IFRS 15 in the relevant notes). This estimate is based on the Company's right of return policies and practices along with historical data on returns. Variable consideration (discounts and returns) is recognised only when it is highly probable there will not be a significant adjustment to the amount of recognised revenue in the future. There are no post-delivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation and are accounted for pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Financing components

The payment terms offered to the Company's customers do not exceed 12 months, therefore the Company recognises adjustments to the transaction price to account for financing components.

2 Accounting policies (continued)

Leases

Policy applicable from 1 January 2019
The company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 years at average, but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• Amounts expected to be payable by the company under residual value guarantees;
• The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
• Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
Right-of-use assets are measured at cost comprising the following:
• The amount of the initial measurement of lease liability;
• Any lease payments made at or before the commencement date less any lease incentives received;
• Any initial direct costs; and
• Restoration costs.

2 Accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Pensions

The company operates a group personal pension plan. Contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share based payments

Occasionally the company's directors and senior managers are issued share options from the Luxottica Group S.p.A. share based payment plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with the corresponding entry recognised in equity. The total amount to be expensed is determined by reference to the fair value of the options granted at the date of grant.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives of each class of asset.

b) Inventory provisioning
The company is a wholesaler of optical products and as such employs samples for demonstration some of which are eventually returned to the supplier and for which we receive a credit. Provision is made against the cost of these samples to reflect their net realisable value and this may change over time. Provision is made on the basis of realisable value over the previous 12 months and is assessed annually.

c) Leases
The most significant estimates and assumptions concern:
a) renewal option or a termination option included in the lease agreement;
b) variable lease payments and amounts expected to be payable by the lessee under residual value guarantees;
c) lessees calculate the present value of the lease payments using the interest rate implicit in the lease as the discount rate. If the lessee cannot readily determine the interest rate implicit in the lease, then the lessee uses its incremental borrowing rate.

3.2 Critical judgements in applying the entity's accounting policies
No critical judgements identified requiring disclosure.

4 Changes in accounting policy

New standards, interpretations and amendments effective
No changes in accounting policy.

5 Turnover

The analysis of the company's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
UK	46,019	75,193
Europe	65,127	67,963
Rest of world	-	782
	111,146	143,938

6 Operating profit

Arrived at after charging/(crediting)

	Note	2020 £ 000	2019 £ 000
Depreciation expense	14	1,380	1,610
Impairment of trade receivables		304	86
Write-down of inventory to net realisable value		1,049	(1,649)
Inventory recognised as an expense		80,357	104,693
Auditors' remuneration - fees for audit		41	43
Foreign exchange gains/(losses)		410	(251)

The statement of profit or loss includes the following amounts relating to leases:

	Note	2020 £ 000	2019 £ 000
Depreciation on right of use assets – Property	25	658	580
Depreciation on right of use assets – Other	25	221	265
Interest expense on leases – Other	10	5	8
Interest expense on leases – Property	10	56	78
		940	931

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	8,685	9,570
Social security costs	816	931
Other pension costs	429	464
	9,930	10,965

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Administration and support	124	123
Distribution	66	72
	190	195

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Emoluments	684	817
Pension costs	-	10
Compensation for loss of office	-	354
	684	1,181

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	684	526

Two of the directors (2019: Two) received remuneration from other group companies and it is not practicable to allocate this between their services as directors of Luxottica North Europe Limited and other group companies.

9 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Other finance income	39	118

10 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest paid to group undertakings	22	21
Other finance costs	-	2
Interest expense on leases - Other	5	8
Interest expense on leases - Property	56	78
	83	109

11 Tax on profit

Tax charged in the profit and loss account:

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax on the profits for the year	372	1,310
Adjustments in respect of prior years	(101)	536
	271	1,846
Deferred taxation		
Origination and reversal of timing differences	(131)	(211)
Adjustments in respect of prior years	79	(58)
Effect of changes in tax rate	(50)	22
Total deferred taxation	(102)	(247)
Tax charge in the profit and loss account	169	1,599

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

11 Tax on profit (continued)

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	1,272	5,376
Corporation tax at standard rate in the UK of 19%	242	1,021
(Decrease)/increase in current tax from adjustment for prior periods	(22)	478
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	16
Deferred tax (credit)/expense from unrecognised tax loss or credit	(50)	22
Other tax effects for reconciliation between accounting profit and tax (expense)/income	(1)	62
Total tax charge	169	1,599

The corporation tax rate reduced to 19.00% with effect from 1 April 2017 and was due to further reduce to 17.00% with effect from 1 April 2020 following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016 respectively. However, the corporation tax rate remained at 19% (rather than reducing to 17%, as previously enacted) from 1 April 2020 following the Spring Budget 2020 announcement substantively enacted on 17 March 2020.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

12 Dividends

Final dividends paid

	31 December 2020 £ 000	31 December 2019 £ 000
Final dividend of £Nil (2019 - £126.67) per share	-	11,400

13 Intangible assets

	Goodwill £ 000	Contractual customer relationships £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	1,601	2,948	4,548
At 31 December 2020	1,601	2,948	4,548
Accumulated Amortisation			
At 1 January 2020	1,601	2,948	4,548
At 31 December 2020	1,601	2,948	4,548
Carrying amount			
At 31 December 2019	-	-	-
At 31 December 2020	-	-	-

On 1 July 2015 the company acquired the promotional rights for Oakley products to the sport retail channel from Oakley UK Limited, a fellow group company for a consideration of £1,601k. From that date the company acts as the sole promoter of Oakley products in the UK and Ireland and is remunerated by way of commission from the principal in the sale. At 31 December 2015 the directors considered that the promotional rights had no residual value so the intangible asset was written down to £NIL.

14 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Computer equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2020	856	6,024	883	7,763
Additions	-	104	60	164
At 31 December 2020	856	6,128	944	7,928
Accumulated Depreciation				
At 1 January 2020	762	3,827	698	5,287
Charge for the year	51	1,184	145	1,380
At 31 December 2020	814	5,011	843	6,668
Carrying amount				
At 31 December 2020	42	1,117	101	1,260
At 31 December 2019	94	2,196	186	2,476

15 Leases

The company has lease contracts for offices and cars. The amounts recognised in the financial statements in relation to the leases are as follows:

Right of use asset

	Property £ 000	Other £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	5,800	900	6,700
Additions	2,509	31	2,540
Disposals	-	(68)	(68)
At 31 December 2020	8,309	863	9,172
Accumulated Depreciation			
At 1 January 2020	3,434	555	3,989
Charge for the year	658	221	879
Eliminated on disposal	-	(67)	(67)
At 31 December 2020	4,092	709	4,801
Carrying amount			
At 31 December 2020	4,217	154	4,371
At 31 December 2019	2,366	345	2,711

The average lease term is 3 years (2019: 3 years).

Lease Liabilities

	2020 £ 000	2019 £ 000
Current	(1,028)	(779)
Non-current	(3,523)	(2,019)
	(4,551)	(2,798)

Lease liabilities maturity analysis

	2020 £ 000	2019 £ 000
Not later than 1 year	(1,028)	(779)
Later than 1 year and not later than 5 years	(3,523)	(1,666)
Later than 5 years	-	(353)
Total lease liabilities	(4,551)	(2,798)

Leases recognised in the statement of profit of loss

	2020 £ 000	2019 £ 000
Depreciation on right of use assets – Property	658	580
Depreciation on right of use assets – Other	221	265
Interest expense on leases – Other	5	8
Interest expense on leases – Property	56	78
	940	931

16 Inventories

	2020 £ 000	2019 £ 000
Finished goods and goods for resale	891	786

Inventory values are stated after provision of £3,399k (2019: £2,349k). In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

17 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade debtors	16,330	23,047
Amounts owed by group undertakings	21,482	7,788
Deferred tax asset	611	510
Prepayments and accured income	52	110
Other debtors	1,979	4,145
	40,454	35,600

Amounts owed by group undertakings arise mainly from sale transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2019: £nil) since they are considered recoverable.

The value of trade debtors has been reduced at the balance sheet date by the provision against bad and doubtful debts of £838k (2019: £546k).

18 Creditors: Amounts falling due within one year

	2020 £ 000	2019 £ 000
Trade creditors	1,800	3,655
Accrued and deferred income	8,127	8,954
Amounts due to related parties	20,151	18,482
Other creditors	6,031	2,470
Short term lease liabilities	1,028	779
	37,137	34,340

Amounts owed to group undertakings arise mainly from purchase transactions and are due two months after the date of purchase. The payables are unsecured in nature and bear no interest.

Deferred tax

	2020 £ 000	2019 £ 000
Asset as at 1 January	(510)	(279)
Original and reversal of timing differences	(181)	(189)
Adjustment in respect of prior years	79	(42)
Deferred tax assets as at 31 December	(611)	(510)

	2020 £ 000	2019 £ 000
Accelerated capital allowances	(396)	(272)
Provisions	(184)	(188)
Other	(32)	(50)
Deferred tax assets	(611)	(510)

19 Creditors: Amounts falling due after more than one year

	2020 £ 000	2019 £ 000
Long term lease liabilities	3,523	2,019

20 Called up share capital

Allotted, called up and fully paid shares

	2020 £ 000	2019 £ 000
90,000 (2019: 90,000) ordinary shares of £1 each	90	90

21 Share-based payments

No share based payment awards were made during the year (2019: £Nil).

22 Related party transactions

The company has taken advantage of the exemption of the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group in accordance with FRS 101.

Key management includes directors of the company. Details of their remuneration can be found at note 8.

23 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £429k (2019 - £464k).

An amount of £52k (2019 - £52k) was outstanding to be paid a the end of the year.

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2019 - £Nil).

25 Parent and ultimate parent undertaking

The company's immediate parent company is Luxottica Group S.p.A., incorporated in Italy. The largest and smallest group financial statements into which the company's results are consolidated are prepared by EssilorLuxottica S.A. a company incorporated in France. Group financial statements are available from Luxottica Group SpA at Piazzale Cadorna, Milan, Italy.

The company's ultimate parent company and controlling party is EssilorLuxottica S.A., incorporated in France.